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AM Best Revises Outlooks to Positive for Credit Ratings of Lloyd's, Its Rated Subsidiaries and Society of Lloyd's

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FOR IMMEDIATE RELEASE

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AM Best has revised the outlooks to positive from stable and affirmed the Financial Strength Rating of A (Excellent) and the Long-Term Issuer Credit Ratings (Long-Term ICR) of "a+" (Excellent) of Lloyd's (United Kingdom), Lloyd's Insurance Company (China) Limited (Lloyd's China) (China), and Lloyd's Insurance Company S.A. (Lloyd's Europe) (Belgium). Concurrently, AM Best has revised the outlooks to positive from stable and affirmed the Long-Term ICR of "a" (Excellent) of Society of Lloyd's (the Society) (United Kingdom) and the Long-Term Issue Credit Ratings of "a-" (Excellent) on the GBP 306 million 4.750% subordinated loan notes maturing 30 October 2024, as well as on the GBP 300 million 4.875% subordinated notes maturing 7 February 2047. (See further rating actions on various syndicates below.)

These Credit Ratings (ratings) reflect Lloyd's balance sheet strength, which AM Best assesses as very strong, as well as its strong operating performance, favourable business profile and appropriate enterprise risk management.

The positive outlooks reflect, in part, actions taken over a number of years to improve the resilience of Lloyd's balance sheet. This includes the introduction of the Lloyd's Central Fund insurance, increase in the callable layer and limits put in place to reduce excessive risk taking by individual syndicates. Furthermore, Lloyd's has continued to demonstrate the successful application of its "coming into line" (CIL) process, following a series of challenging years, due to the COVID-19 pandemic, elevated catastrophe activity and the conflict in Ukraine, which has shown Lloyd's ability to consistently re-capitalise and grow capital year-over-year. AM Best expects Lloyd's to continue delivering a strong operating performance over the underwriting cycle, as well as successfully execute its modernisation strategy.

The Lloyd's market (the market) benefits from risk-adjusted capitalisation being at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR). Capital adequacy is supported by a robust risk-based approach to setting member-level capital and Lloyd's Central Fund, which is available to meet the policyholder obligations of all Lloyd's members. The protection afforded to members through the Central Fund was enhanced in 2021 following the purchase of Central Fund insurance by the Corporation of Lloyd's (the Corporation), which is expected to form a long-term component of capital management. AM Best's assessment of the balance sheet strength of Lloyd's takes into account the fungibility constraints of capital held at the member level and the market's good financial flexibility, which is enhanced by the diversity of its capital providers.

The market's exposure to catastrophe risk is an offsetting factor. However, the requirement for members to replenish their Funds at Lloyd's to meet their underwriting liabilities, as part of the CIL process, together with the Corporation's enhanced oversight of accumulation risk, partly mitigates the potential for volatility in risk-adjusted capitalisation due to operating losses.

The operating performance assessment reflects AM Best's expectation that Lloyd's will produce strong technical performance over the underwriting cycle and that capital will continue to be attracted to the market. Improving pricing conditions, as well as the robust performance oversight by the Corporation, has materialised in measurable improvements in underwriting performance, as evidenced by the year-end 2022 combined ratio of 91.9%. Nonetheless, the market's expense ratio continues to be higher than those of its peers, albeit this has reduced from 39.2% in 2018 to 34.4% in 2022. Actions are being taken through the Future at Lloyd's initiative to reduce the cost of placing business at Lloyd's, the benefit of which should start to be realised over the short term.

The business profile assessment reflects the strong position of Lloyd's in its core markets, as a leading writer of reinsurance and specialist property/casualty insurance. Lloyd's has an excellent brand in these markets, which are experiencing strong pricing conditions. The market's business mix is well-diversified, but with some geographical bias toward North America and product bias toward moderate-to-high risk commercial specialty lines.

The ratings of Lloyd's China and Lloyd's Europe reflect reinsurance support from Lloyd's in the form of quota share contracts between Lloyd's and the syndicates that are active in its Chinese and European platforms.

The rating of the Society is notched from the rating of Lloyd's, reflecting the unique relationships between the Society and Lloyd's, which means that the ability of the Society to meet its obligations is inextricably linked to the ability of Lloyd's to meet its obligations.

The Lloyd's market rating is the "floor of security" of all policies written at Lloyd's.

The FSR of A (Excellent) and ICR of "a+" (Excellent) have been affirmed and the outlooks for these ratings has been revised to positive from stable for the following Lloyd's syndicates:

- Lloyd's Syndicate 33, managed by Hiscox Syndicates Ltd
- Lloyd's Syndicate 2623, managed by Beazley Furlonge Limited
- Lloyd's Syndicate 623, managed by Beazley Furlonge Limited
- Lloyd's Syndicate 3623, managed by Beazley Furlonge Limited
- Lloyd's Syndicate 3622, managed by Beazley Furlonge Limited
- Lloyd's Syndicate 3000, managed by Markel Syndicate Management Limited
- Lloyd's Syndicate 2001, managed by Amlin Underwriting Ltd

This press release relates to Credit Ratings that have been published on AM Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best's [Recent Rating Activity](#) web page. For additional information regarding the use and limitations of Credit Rating opinions, please view [Guide to Best's Credit Ratings](#). For information on the proper use of Best's Credit Ratings, Best's Performance Assessments, Best's Preliminary Credit Assessments and AM Best press releases, please view [Guide to Proper Use of Best's Ratings & Assessments](#).

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Related Companies

For information about each company, including the Best's Credit Reports, group members (where applicable) and news stories, click on the company name. An additional purchase may be required.

AMB#	Company Name
085202	Lloyd's
078649	Lloyd's Insurance Company (China) Ltd
095926	Lloyd's Insurance Company S.A.
048337	Lloyd's Synd 2001 (MS Amlin Undrwr Ltd)
048946	Lloyd's Synd 2623 (Beazley Furlonge Ltd)

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